

CITY OF MILPITAS
MINUTES of: CITY COUNCIL (FINANCE) SUBCOMMITTEE
Date/Time: Wednesday, January 14, 2009 – 4:00 p.m.

- I. CALL TO ORDER:** Council Member Debbie Giordano called the meeting to order at 4:00 pm

Attendance:

City Manager: Thomas C. Williams
City Council: Council Member Debbie Giordano, Council Member Armando Gomez
Staff: Emma Karlen, Jane Corpus-Takahashi, Michael Ogaz, Greg Armendariz, Clare Frank, Bill Marion, Kathleen Phalen, Bonnie Greiner, Jennifer Tagalog

- II. CITIZENS FORUM:** No Comments

- III. APPROVAL of MINUTES:** The October 29, 2008 meeting minutes were approved.

IV. ITEMS FOR DISCUSSION

A. FY 08-09 Mid-Year Budget Adjustment Requests

Emma Karlen, Director of Financial Services – Staff is requesting budget adjustments for six items:

1. Allocate \$250,000 fuel cost budget from Fleet Maintenance budget to Utility Maintenance budget. There would not be any fiscal impact to the City.
2. Increase the Facility Maintenance budget by \$40,000 for maintenance of the new Milpitas Public Library and parking garage. Proposed funding source would be from the 2% TOT library measure that was passed.
3. Increase funding for two capital improvement projects (Water Master Plan and Sewer Master Plan) by \$5,000 each in order to complete the remaining work. Funding would be 50% from the water fund and 50% from the sewer fund.
4. Appropriate \$30,000 to the Sidewalk Replacement CIP budget. The funding source is from an ABAG matching grant that would be appropriated into the project. There would not be any fiscal impact to the City.
5. Appropriate \$15,551 to the Technology Replacement budget for the purchase of several GIS systems in police vehicles. The funding source is from matching ABAG grant that would be appropriated into the project. There would not be any fiscal impact to the City.
6. Appropriate \$254,164 to the Fire Department operating budget for mutual aid responses and regional training. These will be reimbursed monies from California OES and the State Urban Area Securities Initiative for mutual-aid wildfire responses. There would not be any fiscal impact to the City.

The total budget adjustment is \$599,715. Fiscal impact to the City would be \$50,000.

Council Members Armando Gomez and Debbie Giordano – Approved the mid-year budget adjustment request. The request will go before the City Council for final approval.

B. Senior Center Nutrition Program Update

Jennifer Tagalog, Parks & Recreation Public Services Supervisor – During the past six months the Senior Nutrition Program has experienced an increase in the daily average attendance and has exceeded the allotted budget of 88 meals per day (250 days/year). The increase in attendance is attributed to various factors: downturn in the economy, opening of the DeVries housing, closure of an adult daycare center in Milpitas and increased housing nearby.

The total current budget with the contribution of the City and the County is \$164,741 per year. The City met with the County regarding additional funding; however, the County has projected a budget deficit. Staff will continue to discuss the budget with the County if there are budget shortfalls. If attendance in the lunch program does not decrease, staff may need to cap the amount of lunches available per day. It could be necessary to request additional funding from the Council if the demand for this program continues to increase. Staff will keep the Council informed regarding the status of this program.

C. Network Equipment Lease

Bill Marion – Information Services Director – The current telecommunication network equipment was installed in 2001 and has now been in operation over 8 years. The equipment lifespan is generally 5 years and there is concern of a major network failure, resulting in serious impact to the City.

Staff is developing a replacement network with an estimated cost of \$350,000 and has been able to find a five-year, no-interest lease through a contract with the State Department of General Services. There is a lease termination provision and also a buy-out provision at the end of the lease. The Finance Department is reviewing the equipment replacement fund to potentially cover the initial years of the lease. Staff is requesting approval to proceed with the document preparation for the network equipment lease.

Council Members Armando Gomez and Debbie Giordano – Approved the lease request. The recommendation will go before the City Council for final approval.

D. FY 10 and FY 11 Water and Sewer Rates Recommendations

Kathleen Phalen, Principal Civil Engineer – The last water and sewer rate increase for the City of Milpitas was in August 2006. The wholesale cost of water has increased about 32% and staff is proposing a rate increase.

The rate analysis process the City follows is bound by Council policies. An important Council policy is that the City shall not sell water for less than the average wholesale cost. First tier residential water retail rates are getting very close to the average of the City's wholesale rate.

There are other policies and goals the Council had set that are not being met because the water and sewer budget does not have excess funds to set aside for things such as:

- 1) Maintain reserves equal to 30% of water and 25% of sewer operations budgets.
- 2) Set aside \$2 million per year in water and sewer infrastructure funds to pay for future replacement.

Additional cost factors: S.F. Public Utilities Commission is looking at \$4.3 billion seismic upgrade to retrofit their system – Milpitas' share of cost would be \$100 million. The Water Pollution Control Plant is planning to completely reconstruct their sewer treatment plant with an estimated cost of \$1 - \$2 billion – Milpitas' share of cost would be \$100 Million. The City of Milpitas also needs to retrofit our own water infrastructure and sewer system with an estimated cost of \$6 - \$12 million. Additionally, there are unknown impacts such as: the economy, possible drought and loss of revenue from water. Santa Clara Valley Water District also wants to retrofit their system.

The City needs to be proactive in the event of a major earthquake. Milpitas is surrounded by faults, which exposes us to a 62% probability of a major earthquake. More damage results from the lack of water to fight a fire than from the actual earthquake. Milpitas is close to the bay and has mud-like quality in our soils. Thus, in addition to the faults about half of Milpitas sits on liquefiable soil which will intensify damages in an earthquake. Studies show that due to our location and soils we can expect 150 water line breaks throughout the city.

Staff would like Council's recommendation to: 1) Adopt two rate increases – approximately 9% for water and sewer for FY10 and FY11. Revenue to the water fund increase from \$15 million to \$17 million and sewer fund increase from \$11 million to \$11.9 million. 2) Make annual transfers of \$1 million into water and sewer infrastructure funds. The impact to the average single-family resident would increase about \$5.00 monthly for FY10 and again in FY11.

The Principal Civil Engineer would like to present the rate increase recommendation to Council on February 3rd Council meeting and be able to send out Prop 218 notices.

Council Members Armando Gomez and Debbie Giordano – Approved the recommendation for water and sewer rate increase. The request will go before the City Council for final approval.

Council Member Giordano requested staff to conduct a cost analysis of the 1st and 2nd water tier charges.

E. Frequency of the Finance Subcommittee Meeting

The Finance Subcommittee will regularly meet the 4th Wednesday of the month on a quarterly basis, unless there is a need to meet sooner.

V. OTHER BUSINESS

VI. NEXT MEETING – The next regular meeting will be scheduled April 22, 2009

VII. ADJOURNMENT